

Balancing the Benefits

*Summary of an address given by M. Mason Gaffney,
Professor of Agricultural Economics at the University of Missouri before the Southeastern Water Law Conference in Athens, Georgia, November, 1961.*

PROFESSOR GAFFNEY outlined the deficiencies of the various systems governing the distribution of water throughout the U.S.A. These systems fall largely into three groups. The first and oldest of these he described as the "rudimentary pre-commercial" system which, without involving the reader in the rather obscure legal terminology of American water law, may be briefly described as conferring rights (mostly archaic by present-day standards) on whoever was lucky enough to hold land within the area of the water-table. The term "riparian" is a sufficiently universal concept to give a clue here.

The second group comprises the type with which most countries are familiar in this field, namely the public utility — city, town or rural distributive agency, charging usually a flat rate over its area by a variety of measurement tools, e.g. acre-feet, quantity by meter, etc.

The third group represents a type of agency probably little known outside the U.S.A., though such bodies as the new great Snowy Mountain Authority in Australia may fall within it. The group contains state water supply authorities, acting as major suppliers to local schemes, and semi-commercial undertakings of possibly inter-state character, operating as Professor Gaffney puts it "in the poorly consolidated, and often haphazardly fragmented service area. Their aqueduct lines shoot out here and yon like ice cracks in a thaw."

The Professor, in discussing the features of all these systems, concentrated on their weaknesses under four main heads: (1) the basis of initial allocation; (2) constraints on use; (3) flexibility of allocation and, (4) containment of service areas. And he finds that in every case considered weaknesses appear under one or more, in some cases all, of these heads. In an extremely well-documented exposition, he narrows the common trouble down to the need for a satisfactory mechanism of charging for water use. His answer to the problem is what he calls the "Market Price System," under which the user pays for the water he uses, a price which fluctuates freely, like the needle on a meter, according to the law of supply and demand, the distance the water has to travel to the user, the cost of storage, and so forth.

Under this system, the water user nearest to the point of supply will generally enjoy the benefit of low charges, while those on the perimeter of supply will pay considerably more. This, the Professor claims, will, while guaranteeing economic returns to the water authority, tend to

ensure efficient use of the water and the elimination of waste. It will also destroy the privileges at present enjoyed under the "riparian" and other systems of pre-emption to fortunately placed landowners, in that their "rights" will no longer supersede those of others less fortunately located, except that in this one respect they will, where their geographical location accounts for it, be in the area of low-priced supply. And this last factor is adjusted in the common interest by the Professor's proposal to balance the price system by a compensating land value tax, by which those close to the source of supply will pay a higher rate of land tax than those in the more distant locations.

By this means six objects are achieved:

1. Water is available to all within reach of the system on the basis of payment for value received.
2. The price charged is governed from day to day by the fluctuation in available supply and demand.
3. Any tendency by those close to the supply to make excessive or wasteful use of water by reason of its low price is checked by the compensating higher rate of their land tax.
4. Similarly, those on the perimeter of supply are encouraged to use all the water they need, despite its relatively higher price, by a correspondingly low rate of land-value tax.
5. The local authority benefits from the revenue derived from the land-value tax.
6. The effect of the land-value tax itself, especially in the area of the source of supply, will be to encourage the most efficient use of land and thus have a generally beneficial effect on the orderly spread of settlement and the costs of extending public services such as roads, power lines and the water supply itself.

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